
The Bucket

By Editorial Staff *Thu, Feb 7, 2013*

Brief or late-breaking items from Putnam Investments, Pershing LLC, DST Systems, Inc., Vanguard, Groom Law Group and LIMRA.

Putnam's latest thought-leadership effort starts February 11

Putnam Investments has launched "an ongoing dialogue with the marketplace" in 2013. The topic: the importance for financial advisors and investors "to continually anticipate the evolution of the investment markets... and act to seize a new set of opportunities and mitigate unforeseen challenges."

The Boston-based fund company will kick off its awareness-building campaign, entitled, "New Ways of Thinking," on Monday, February 11, through a series of new print, direct marketing, and online advertising, and will use a host of content-driven, multi-media vehicles "to communicate the need to incorporate modern, innovative investment approaches into more traditional investment models and mindsets in order to continually stay ahead of the curve."

In addition to new print, direct marketing and online advertising, the firm said it "will develop content-rich thought leadership through business seminars, industry events, and white papers on an array of topics including the marriage of traditional and alternative products, benefits of Sharpe ratio investing, active risk management, and more."

Pershing survey reveals differences between older, younger advisors

The financial advisory industry will need to add about 237,000 new financial professionals over the next 10 years to make up for the 12,000 to 16,000 advisors who will retire each year, according to Pershing LLC's *Inaugural Study of Advisory Success*.

The study was based on a [survey](#) of 357 advisors. According to the study, firms should look to address the following key differences among older and younger advisors over the next several years:

- *Younger advisors are more collaborative than older advisors.* Older advisors are less team-oriented than their younger counterparts, with over 60% saying they prefer to "work on their own" versus being team-oriented, and nearly 33% saying they don't need the right team to achieve success.
- *Younger advisors are less satisfied with the independent model compared to older advisors.* Among independent advisors, 83% are satisfied with being an independent advisor. Advisors aged 50-59 (46%) and 60+ (53%) are significantly more satisfied with being independent compared to the younger age groups (31% 25-39 and 19% 40-49).
- *Younger advisors want to make money and also make a difference.* Less than half of all advisors

think personal gain and reward plays a major role in personal success. Advisors aged 25-39 are significantly more likely to say gain/reward plays a major role compared to all other age groups. In the youngest advisor age group (25-39) 73% of advisors believe “having clients who appreciate the value they provide” is one of the top three most rewarding experiences of being an advisor. This compares to 57% for the 40-49 age range, 57% for 50-59 age range and 56% for the 60+ age range.

- *Younger advisors are much more likely to embrace and use technology.* 85% of advisors aged 25-39 describe themselves as being “technology-embracing,” compared to 70% and 73% for advisors aged 40-49 and 50-59, respectively. Advisors 60+ in age are far less likely to be technophiles: only 56% describe themselves as technology-embracing.

Edward Meehan joins Groom Law Group’s ERISA litigation group

Edward Meehan has joined the ERISA litigation group of Groom Law Group, Chartered, a Washington, D.C. law firm that focuses on employee benefits. He had been a partner in the litigation group of Skadden, Arps, Slate, Meagher & Flom LLP.

An experienced litigator, Meehan has substantial experience in disputes involving employee benefits, including pension and health plans, often in the context of Chapter 11 or other corporate restructurings. Representative matters include work for American Airlines and Eastman Kodak on retiree health benefit issues, for Hayes-Lemmerz International, Inc. on pension and retiree health matters, and for US Airways on pension issues.

In addition to his work on employee benefit matters, Mr. Meehan has defended class actions and other complex disputes across a wide range of industries. He also has represented clients in connection with Department of Labor and Securities and Exchange Commission investigations.

DST reaches 1.5 million accounts in ‘alternative space’

DST Systems, Inc., the largest provider of third-party shareholder recordkeeping services in the mutual fund industry, announced that its U.S. Investment Recordkeeping solution now supports over 1.5 million accounts in the alternative investment space.

In a release, DST said it supports a full range of retail alternative investment products, including institutional and retail hedge funds, closed end interval funds, business development companies, managed futures, limited partnerships, and non-traded REITS.

In addition to its recordkeeping solutions and DTCC Alternative Investment Platform support, DST also provides commonly used distribution solutions like DST Vision, FAN Mail, and SalesConnect.

DST provides support for transfer agency operations with TA2000, including service models with options for services and functionality designed to meet a variety of business needs.

Vanguard to further diversify target retirement funds

Vanguard today announced plans to add an international bond index fund to 20 all-in-one funds, including Vanguard Target Retirement Funds. The new fund will complement the three other core holdings of the all-in-one funds: Vanguard Total Stock Market Index Fund, Vanguard Total International Stock Index Fund, and Vanguard Total Bond Market II Index Fund.

Vanguard's 12 Target Retirement Funds, four LifeStrategy Funds, two of its Managed Payout Funds and two Vanguard Variable Insurance Funds will apportion 20% of their respective fixed income allocations to the new Vanguard Total International Bond Index Fund, which is in registration with the U.S. Securities and Exchange Commission.

In addition, Vanguard Short-Term Inflation-Protected Securities Index Fund (Short-Term TIPS Fund) will replace Vanguard Inflation-Protected Securities Fund in the three Target Retirement Funds that offer exposure to TIPS: the Target Retirement Income, 2010, and 2015 Funds. The overall strategic asset allocation and glidepath of the Target Retirement Funds will not change.

The Total International Bond Index Fund will seek to track the performance of a new benchmark— the Barclays Global Aggregate ex-USD Float Adjusted RIC Capped Index (USD Hedged). The index comprises approximately 7,000 high-quality corporate and government bonds (average credit quality AA2/AA3) from 52 countries.

The index caps its exposure to any single bond issuer, including a government, at 20% to meet regulated investment company (RIC) tax diversification requirements. The top country holdings as of December 31, 2012, were Japan (23%), France (12%), Germany (11%), and the United Kingdom (9%).

Vanguard is estimating lower expense figures in the amended filing for the Total International Bond Index Fund. The fund will offer conventional shares (Investor, Admiral, and Institutional) with projected expense ratios ranging from 0.12% to 0.23%. The ETF Shares have a projected expense ratio of 0.20%. Vanguard has also eliminated a planned 0.25% purchase fee on the fund.

The Total International Bond Index Fund will represent 20% of the fixed income allocation of the 20 funds-of-funds, with an overall allocation weighting that will range from 2% to 16% of total fund assets, depending on the fund. For example, the new international bond index fund will assume an initial 6% weighting in Vanguard's largest all-in-one fund—the \$20 billion Vanguard Target Retirement 2025 Fund.

Vanguard research shows that the primary factors driving international bond prices are relatively uncorrelated to those driving the U.S. bond market. Vanguard research has also determined that currency volatility can overwhelm any diversification benefit. By hedging currency risk, an allocation to international bonds can lead to lower average portfolio volatility over time.

Short-Term Inflation-Protected Securities Index Fund

The Short-Term TIPS Fund, which has an average duration of less than three years, will have initial weightings in the Target Retirement Income, 2010, and 2015 Funds of 17%, 11%, and 4%, respectively. It will replace the Inflation-Protected Securities Fund, which has a current average duration of 8.5 years.

The fund seeks to track the performance of the Barclays U.S. Treasury Inflation-Protected Securities (TIPS) 0-5 Year Index, a market-weighted index that measures the performance of inflation-protected public obligations of the U.S. Treasury with a remaining maturity of less than five years. As of December 31, 2012, the index had an average duration of 2.5 years and an average maturity of 2.6 years.

Vanguard research found that TIPS have historically offered protection from unexpected inflation similar to that offered by commodities, but at a fraction of the volatility. Shorter-term TIPS provide higher correlation to realized inflation with less duration risk than do longer-term TIPS securities.

Current expense ratios are 0.16% to 0.18% for the Target Retirement Funds, 0.13% to 0.17% for the LifeStrategy Funds, and 0.34% to 0.46% for the Managed Payout Funds. A single fund may experience a change in its expense ratio as a result of adding the new underlying funds—the expense ratio of the LifeStrategy Income Fund has the potential to increase by an estimated one basis point. The changes are expected to be completed by the end of the second quarter of 2013.

Retirement income opportunity to reach \$22 trillion by 2020: LIMRA

The investible retirement assets of U.S. households ages 55 and older is expected to rise about 83%, to \$22 trillion, from 2010 to 2020, according to an analysis by LIMRA Retirement Research of the Federal Reserve Board's *Survey of Consumers Finances*.

"The number of Americans who receive income from a [defined benefit] pension plan is on decline, and there will be many more retirees who will have most of their retirement assets invested in [defined contribution] retirement plans," a LIMRA release said. "The study estimates that almost two-thirds of these assets will be directed towards products that will generate income for them in retirement."

"We are witnessing financial services firms changing the structure and business model to accommodate more customer-centric information and process, promoting uniform tools and services across the institutional and retail businesses to capture rollovers, emphasizing smooth transition of assets from the savings in institutional plans to retail side of the business where most retirement income products and solution are typically available," said Jafor Iqbal, associate managing director, LIMRA Retirement Research, in the release.

The findings are included in LIMRA's new *Retirement Income Reference Book (RIRB)*, published in December 2012. *The RIRB* provides a comprehensive view of the latest LIMRA data, projections and research on retirement income market.

